

**SOWELA TECHNICAL COMMUNITY COLLEGE
FOUNDATION**

FINANCIAL REPORT

DECEMBER 31, 2011

SOWELA TECHNICAL COMMUNITY COLLEGE FOUNDATION
LAKE CHARLES, LOUISIANA

December 31, 2011

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J. WALKER & COMPANY_{APC}

ACCOUNTANTS AND ADVISORS

INDEPENDENT AUDITORS' REPORT

Board of Directors
Sowela Technical Community College Foundation
Lake Charles, Louisiana

We have audited the accompanying statement of financial position of Sowela Technical Community College Foundation (a nonprofit organization) as of December 31, 2011, and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Sowela Technical Community College Foundation as of December 31, 2011, and the changes in its net assets, its functional expenses, and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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J. Walker & Company, APC

Lake Charles, Louisiana
February 22, 2013

SOWELA TECHNICAL COMMUNITY COLLEGE FOUNDATION

Statement of Financial Position

December 31, 2011

ASSETS

Assets:

Cash and cash equivalents	\$ 968,843
Receivables	
Pledges, net	33,200
Other	647
Endowment investments	<u>253,890</u>
Total Assets	<u>\$ 1,256,580</u>

LIABILITIES AND NET ASSETS

Liabilities:

Due to Sowela Technical Community College - scholarships	<u>\$ 30,846</u>
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Net Assets:

Unrestricted	934,397
Temporarily restricted	34,522
Permanently restricted	<u>256,815</u>
Total net assets	<u>1,225,734</u>
Total Liabilities and Net Assets	<u>\$ 1,256,580</u>

The accompanying notes are an integral part of the financial statements

SOWELA TECHNICAL COMMUNITY COLLEGE FOUNDATION

Statement of Activities

For the Year Ended December 31, 2011

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Revenue, Gains, and Other Support				
Contributions	\$ 44,395	\$ 25,780	\$ 31,825	\$ 102,000
Donation of Professional Services	18,712	-	-	18,712
Interest Income	4,386	977	-	5,363
Miscellaneous Revenue	525	-	-	525
Total Revenue, Gains, and Other Support	68,018	26,757	31,825	126,600
Net Assets Released from Restrictions	65,249	(65,249)	-	-
Expenses				
Program Services	105,690	-	-	105,690
Supporting Services	45,057	-	-	45,057
Total Expenses	150,747	-	-	150,747
Change in Net Assets	(17,480)	(38,492)	31,825	(24,147)
Net Assets at Beginning of Year	951,877	73,014	224,990	1,249,881
Net Assets at End of Year	<u>\$ 934,397</u>	<u>\$ 34,522</u>	<u>\$ 256,815</u>	<u>\$ 1,225,734</u>

The accompanying notes are an integral part of the financial statements

SOWELA TECHNICAL COMMUNITY COLLEGE FOUNDATION

Statement of Functional Expenses

For the Year Ended December 31, 2011

	<u>Program Services</u>	<u>Management and General</u>	<u>Fund Raising</u>	<u>Total Supporting Services</u>	<u>Total Expenses</u>
Grants to community college	\$ 1,670	\$ -	\$ -	\$ -	\$ 1,670
Convention/Meeting expense	-	307	-	307	307
Fundraising gala	-	-	6,259	6,259	6,259
Legal & professional	16,020	5,055	-	5,055	21,075
Software maintenance	-	2,400	-	2,400	2,400
Professional services-donated	-	18,712	-	18,712	18,712
Scholarships	88,000	-	-	-	88,000
Uncollectible pledges expense	-	-	11,800	11,800	11,800
Miscellaneous expense	-	524	-	524	524
Total expenses	<u>\$ 105,690</u>	<u>\$ 26,998</u>	<u>\$ 18,059</u>	<u>\$ 45,057</u>	<u>\$ 150,747</u>

The accompanying notes are an integral part of the financial statements

SOWELA TECHNICAL COMMUNITY COLLEGE FOUNDATION

Statement of Cash Flows

For the Year Ended December 31, 2011

Cash flows from operating activities:

Cash donations received	\$ 83,650
Interest received	5,195
Payments for scholarships	(57,154)
Payments for fundraising	(6,259)
Payments for grants to community college	(1,670)
Cash paid for supplies and services	(24,305)
Other receipts	525
Net cash provided by (used in) operating activities	(18)

Cash flows from investment activities:

Maturities of investments	515,431
Purchases of investments	(83,762)
Net cash provided by (used in) investment activities	431,669

Net increase (decrease) in cash and cash equivalents 431,651

Cash and cash equivalents at beginning of year 537,192

Cash and cash equivalents at end of year \$ 968,843

Reconciliation of changes in net assets to net cash provided by operating activities

Decrease in net assets	\$ (24,147)
Increase in pledges receivable	(6,550)
Increase in other receivable	(131)
Increase in accrued interest receivable	(36)
Increase in due to college	30,846
Cash provided by (used in) operating activities	\$ (18)

Additional required disclosures:

1. Sowela Technical Community College Foundation considers all highly liquid investments with a maturity of three months or less when acquired to be cash equivalents.
2. There were no material non-cash financing transactions during the year ended December 31, 2011.

The accompanying notes are an integral part of the financial statements

SOWELA TECHNICAL COMMUNITY COLLEGE FOUNDATION

Notes to the Financial Statements

December 31, 2011

Note 1 – Nature of Activities and Significant Accounting Policies

Organization and Purpose

Sowela Technical Community College Foundation (Foundation) was organized on October 21, 1991, and is affiliated with Sowela Technical Community College. The Foundation is a nonprofit organization incorporated under the laws of the State of Louisiana for the purpose of raising funds to support programs and activities designed to advance, promote, or otherwise benefit Sowela Technical Community College. The Sowela Technical Community College Foundation is supported primarily through contributions from the community of Southwest Louisiana.

The Foundation is exempt from federal and state income taxes as a charitable organization under Section 501 (c)(3) of the Internal Revenue Code. Accordingly, contributions to the Foundation are qualified as charitable donations.

Basis of Accounting

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards Codification (FASB ASC) No. 958, *Financial Statements of Not-For-Profit Organizations*. Under FASB ASC No. 958, the Foundation is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets

Unrestricted - Net assets not subject to donor-imposed stipulations; all revenues, expenses, gains, and losses that are not changes in permanently or temporarily restricted net assets.

Temporarily Restricted - Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Foundation and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Permanently Restricted - Net assets subject to donor-imposed stipulations that they be maintained permanently by the Foundation. Generally, the donors of these assets permits the Foundation to use all or part of the income earned on any related investments for general or specific purposes.

SOWELA TECHNICAL COMMUNITY COLLEGE FOUNDATION

Notes to the Financial Statements

December 31, 2011

Note 1 – Nature of Activities and Significant Accounting Policies (Continued)

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents

For accounting and reporting purposes, cash and cash equivalents includes cash on hand, demand deposits, and all highly liquid investments with original maturities of three months or less. However, cash and cash equivalents that are required by donors to be maintained permanently are classified with endowment investments.

Endowment Investments

Endowment investments are in certificates of deposit with original maturities of more than three months and short-term money market securities and are carried at cost, which approximates market value. Interest earned from investments, including realized and unrealized gains and losses, is reported in the unrestricted net asset class except where the instructions of the donor specify otherwise.

Pledges Receivable

Unconditional promises to give are recognized as revenue in the period in which a written or oral agreement to contribute cash or other assets is received. An allowance for doubtful accounts is established based on the prior collection history of pledged contributions and management's analysis of specific promises made. Conditional promises to give are not recognized until they become unconditional; that is, when the donor-imposed conditions are substantially met.

SOWELA TECHNICAL COMMUNITY COLLEGE FOUNDATION

Notes to the Financial Statements

December 31, 2011

Note 1 – Nature of Activities and Significant Accounting Policies (Continued)

Contributions

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes. When a temporary restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Functional Allocation of Expenses

The costs of providing the various programs and activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and/or supporting services benefited.

Income Taxes

The Foundation operates as a public charity under Section 501(c)(3) of the Internal Revenue Code and, accordingly, is exempt from federal and state income taxes and the excise tax which applies to certain foundations. However, the Foundation is subject to income tax on any unrelated business taxable income. Since the Foundation had no unrelated business income for the year ended December 31, 2011, no provision for income taxes is included in the accompanying financial statements.

In July 2006, The Financial Accounting Standards Board (FASB) issued Accounting for Uncertainty in Income Taxes, which clarifies the accounting and disclosure for uncertain tax positions. This interpretation requires companies to use a prescribed model for assessing the financial statement recognition and measurement of all tax positions taken or expected to be taken in tax returns. The Foundation applies a "more-likely-than-not" recognition threshold for all tax uncertainties. This approach only allows the recognition of those tax benefits that have a greater than fifty percent likelihood of being sustained upon examination by the taxing authorities.

Management has evaluated the Foundation's tax positions and concluded the Foundation had taken no uncertain tax positions that require recognition or disclosure in the financial statements.

SOWELA TECHNICAL COMMUNITY COLLEGE FOUNDATION

Notes to the Financial Statements

December 31, 2011

Note 2 – Cash and Cash Equivalents

As of December 31, 2011, cash and cash equivalents consisted of the following:

Unrestricted	\$ 942,871
Restricted	<u>25,972</u>
Total	<u>\$ 968,843</u>

Note 3 – Investments

As of December 31, 2011, endowment investments were made up of the following:

Capital One Endowment Fund	\$ 100,000
Edward Jones Endowment Fund	83,737
Jeff Davis Certificates of Deposit	<u>70,153</u>
Total	<u>\$ 253,890</u>

Endowed donations and excess funds are invested in certificates of deposit through local depository banks. The following schedule summarizes the investment return in the statement of activities for the year ended December 31, 2011.

Investment income- unrestricted	\$ 4,386
Investment income- restricted	<u>977</u>
Total	<u>\$ 5,363</u>

Note 4 – Fair Value of Financial Instruments

FASB Accounting Standards Codification Topic 820, "Fair Value Measurements" (Topic 820), Topic 820 requires disclosures that stratify balance sheet amounts measured at fair value based on the inputs used to derive fair value measurements. These strata included:

Level 1 valuations, where the valuation is based on quoted market prices for identical assets or liabilities traded in active markets (which include exchanges and over-the-counter markets with sufficient volume).

SOWELA TECHNICAL COMMUNITY COLLEGE FOUNDATION

Notes to the Financial Statements

December 31, 2011

Level 2 valuations, where the valuation is based on quoted market prices for similar instruments traded in active markets, quoted prices for identical or similar instruments in markets that are not active and model-based valuation techniques for which all significant assumptions are observable in the market, and

Level 3 valuations, where the valuation is generated from model-based techniques that use significant assumptions not observable in the market, but observable based on Foundation-specified data. These unobservable assumptions reflect the Foundation's own estimates for assumptions that market participants would use in pricing the asset or liability. Valuation techniques typically include option pricing models, discounted cash flow models and similar techniques, but may also include the use of market prices of assets or liabilities that are not directly comparable to the subject asset or liability.

Fair values of assets and liabilities measured on a recurring basis at December 31, 2011 are as follows:

Type	Level 1	Level 2	Level 3	Fair Value
Money Market Funds	\$ 83,737	\$ 0	\$ 0	\$ 83,737
Certificates of Deposit, Maturities greater than 90 days	\$ 170,153	\$ 0	\$ 0	\$ 170,153
Total	\$ 253,890	\$ 0	\$ 0	\$ 253,890

Assets and liabilities measured at fair value on a recurring basis using significant unobservable inputs (Level 3): There were no Level 3 investments.

Note 5 – Pledges Receivable

Unconditional pledges receivable are due as follows at December 31, 2011:

Expected to be collected in:	
Less than one year	\$ 28,600
One to five years	14,900
Gross pledges receivable	43,500
Less allowance for doubtful accounts	(10,300)
Net pledges receivable	\$ 33,200

SOWELA TECHNICAL COMMUNITY COLLEGE FOUNDATION

Notes to the Financial Statements

December 31, 2011

Note 6 – Capital Assets

A summary of capital assets is as follows:

Automobile	\$ 1,000
Less accumulated depreciation	<u>(1,000)</u>
Net capital assets	<u>\$ -</u>

Note 7 – Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following purposes:

Purpose restrictions:	
Academic support- Culinary Department	\$ 15,972
Scholarships	<u>18,550</u>
Total	<u>\$ 34,522</u>

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by the donors as follows for the year ended December 31, 2011:

Scholarships	\$ 61,259
Write off of uncollectible pledges for scholarships	<u>3,990</u>
Total	<u>\$ 65,249</u>

Note 8– Permanently Restricted Net Assets

Net assets were permanently restricted for the following purposes as of December 31, 2011:

Scholarship endowment fund	<u>\$ 256,815</u>
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Note 9 – Affiliation Agreement

The purpose of the Foundation is to receive, hold, invest, and administer property and to make expenditures to support programs and activities designed to advance, promote, or otherwise benefit Sowela Technical Community College. Because of the close association of the Foundation with the College, an affiliation agreement was entered into by both parties on May 25, 2000.

SOWELA TECHNICAL COMMUNITY COLLEGE FOUNDATION

Notes to the Financial Statements

December 31, 2011

Note 10 – Related Parties

Pursuant to the affiliation agreement between the Foundation and Sowela Technical Community College, the College provides certain personnel services and usage of space and equipment for Foundation operations. The value of these services was \$18,712 in 2011. In return, the Foundation provides, solicits and manages funds for the benefit of the College.

Note 11 – Board of Trustees Compensation

The Board of Trustees is a voluntary board; therefore no compensation was paid to any board member during the year ended December 31, 2011.

Note 12 – Concentrations of Risk

Financial instruments which potentially subject the Foundation to a concentration of credit risk consist principally of cash and cash equivalents and investments. As of December 31, 2011, funds on deposit with various financial institutions exceeded available Federal Deposit Insurance Coverage (FDIC) and coverage provided by Securities Investor Protection Corporation (SIPC) by \$268,188. It is the opinion of management that the solvency of the referenced financial institutions is not of particular concern at the time.

Note 13 – Contingencies

Amounts received may be temporarily or permanently restricted per donor specification. Failure by the Foundation to comply with donor specifications may result in the donor requesting that the contribution be returned. As of December 31, 2011, the Foundation has met all donor specification on all temporarily and permanently restricted contributions, and accordingly, no provision has been made for any liabilities that might arise from noncompliance.

Note 14 – Grants to Sowela Technical Community College

Pursuant to the affiliation agreement between the Foundation and the College, which states in part "the purpose of the Foundation shall be to receive, hold, invest, and administer property and to make expenditures to support programs and activities designed to advance, promote, or otherwise benefit the college," the Foundation made grants to, or on behalf of, the college totaling \$105,690.

Note 15 – Subsequent Events

Management of the Foundation evaluated subsequent events and transactions for potential recognition or disclosure in the financial statements through February 22, 2013, the date which the financial statements were available to be issued.



J. WALKER & COMPANY_{APC}

ACCOUNTANTS AND ADVISORS

Report on Compliance with the Affiliation Agreement with Sowela Technical Community College

Independent Accountants' Report

Board of Directors
Sowela Technical Community College Foundation
Lake Charles, Louisiana

We have examined Sowela Technical Community College Foundation's compliance with the affiliation agreement with the Sowela Technical Community College for the year ended December 31, 2011. Management is responsible for the Foundation's compliance with those requirements. Our responsibility is to express an opinion on the Foundation's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the *American Institute of Certified Public Accountants* and, accordingly, included examining, on a test basis, evidence about the Foundation's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the Foundation's compliance with specified requirements.

In our opinion, Sowela Technical Community College Foundation complied, in all material respects, with the aforementioned requirements for the year ended December 31, 2011.

This report is intended solely for the information and use of board members and management of the Sowela Technical Community College Foundation and is not intended to be and should not be used by anyone other than these specified parties.

J. Walker & Company, APC

Lake Charles, Louisiana
February 22, 2013

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